

November 29, 2006

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report—Tri-C Tire Recycling, Inc., Grant Agreement TR37-03-3

Enclosed is the final report on our audit of the Tri-C Tire Recycling, Inc.'s (Grantee) Tire Product Commercialization Grant TR37-03-3 for the period June 30, 2004 to April 1, 2006. The Department of Finance, Office of State Audits and Evaluations (Finance), performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board). The audit included a review of receipts, expenditures, internal controls, and compliance with certain grant agreement provisions.

We found that the Grantee complied with the fiscal requirements of its grant agreement, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final. The enclosed report is for your information and use. We have also sent a copy to the Grantee. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original Signed By:

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board
Mr. Mitch Delmage, Manager, Special Waste Division, California Integrated Waste Management Board
Mr. Mark Korte, General Manager, Tri-C Tire Recycling, Inc.

GRANT AUDIT

Tri-C Tire Recycling, Inc.
Tire Product Commercialization Grant
Grant TR37-03-3
For the Period June 30, 2004
through April 1, 2006

Prepared By:
Office of State Audits and Evaluations
Department of Finance

TABLE OF CONTENTS

Preface.....	iii
Independent Auditor's Report	1
Statement of Revenue and Expenditures	3
Notes to the Statement of Revenue and Expenditures.....	4

PREFACE

The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded a \$250,000 grant (TR37-03-3) to Tri-C Tire Recycling, Inc. (Grantee) to participate in the Tire Product Commercialization Grant Program. The grant was funded by the Integrated Waste Management Account and covers the reporting period June 30, 2004 through April 1, 2006.

The objective of this audit was to determine the Grantee's fiscal compliance with the aforementioned grant. The audit also assessed the Grantee's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the Grantee.

This report is intended for the information and use of Board and Grantee management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Frances Parmelee, CPA
Manager

Rick Cervantes, CPA
Supervisor

Ramon Juarez

INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95814-4025

We have audited the accompanying Tri-C Tire Recycling, Inc.'s (Grantee) *Statement of Revenue and Expenditures* (Statement) for grant agreement TR37-03-3 for the period June 30, 2004 through April 1, 2006, executed between the Grantee and the California Integrated Waste Management Board (Board). The Statement was prepared from the Grantee's records and is the responsibility of Grantee management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining the Grantee's fiscal compliance with the aforementioned grant agreement. The Statement is not intended to be a presentation of the Grantee's total revenue and expenditures.

In our opinion, the Statement referred to above presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement TR37-03-3 for the period June 30, 2004 through April 1, 2006, in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the Grantee's compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Generally Accepted Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grantee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Board and Grantee management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original Signed By:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

August 23, 2006

STATEMENT OF REVENUE AND EXPENDITURES

Tri-C Tire Recycling, Inc.
Tire Product Commercialization Grant Agreement TR37-03-3
For the Period June 30, 2004 through April 1, 2006

Revenue:	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
State Grant	\$ 250,000	\$ 250,000	\$ 0
Expenditures:			
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Excess of Revenue over Expenditures	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

Tri-C Tire Recycling, Inc.
Tire Product Commercialization Grant Agreement TR37-03-3
For the Period June 30, 2004 through April 1, 2006

NOTE 1 Description of the Reporting Entity

Tri-C Tire Recycling, Inc. (Grantee) was established in June 2000 and produces crumb rubber for rubber mats and flooring, landscaping, and civil engineering projects.

NOTE 2 Program Information

The Legislature created the Integrated Waste Management Account (Public Resources Code Section 48001) to support the reduction, recycling, and reuse of solid waste; and also the protection of public health and safety through regulation of solid waste handling. The California Integrated Waste Management Board (Board) administers the Integrated Waste Management Account, which includes the Tire Product Commercialization Grant Program.

The Tire Product Commercialization Grant Program provides grant funding on a competitive basis to research institutions, businesses, and other enterprises to promote the commercialization of new and existing products that will consume significant quantities of California tire-derived rubber or develop new products from tire rubber and/or innovative technologies for tire recycling.

NOTE 3 Description of Tire Product Commercialization Grant Agreement

The Grantee received a \$250,000 grant award (TR37-03-3) from which it claimed and was reimbursed \$250,000 in grant funds. This grant provided funding to the Grantee to expand its capacity with the addition of a new granulator system and screen, enhance its existing safety wall to separate equipment from storage of finished product, strengthen its mezzanine storage area, and install a concrete pad with concrete separator blocks for tire chip storage.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement presented in this report was prepared from the Grantee's accounts and financial transactions. The Statement summarizes grant revenue and expenditures recorded during the reporting period June 30, 2004 through April 1, 2006.

The Statement summarizes the Grantee's transactions pertaining to grant agreement TR37-03-3 only, and is not intended to represent all of the Grantee's financial activities.

B. Basis of Accounting

The Grantee's accounts are maintained on the accrual basis and in accordance with the principles of fund accounting. Under the accrual basis, revenues are recorded as they become measurable and earned, and expenditures are recorded at the time the liabilities are incurred.

NOTE 5 Matching Funds

The grant agreement required that the Grantee provide at least \$125,000 in matching funds. The Grantee met this matching requirement by the grant's end date.